

Denver DMA -- while largely residing in Colorado -- also covers parts of Wyoming, South Dakota, Nebraska and the south eastern part of Colorado embedded in the Colorado Springs DMA. In 8 DMAs, the satellite spot beam through which DIRECTV distributes local service does not cover the entire DMA because those DMAs are not geographically contiguous. Spot beams on a satellite are designed to cover contiguous geographies and therefore, in certain instances, are unable to broadcast to all zip codes in a DMA. DIRECTV developed the attached database to reconcile the difference between the Nielsen DMAs and DIRECTV local coverage areas. DIRECTV updates this database as new zip code information is supplied by the U.S. Post Office and maintains no historic information. Accordingly, Schedule III.2.d(ii) reflects current information only. It is provided electronically.

**Response to Interrogatory III.2.e:**

Hughes interprets "out-of-market stations" to mean "distant network signals." Distant network signals are generally available to DIRECTV customers in the DMAs in which Hughes provides MVPD service, provided that customers qualify for the receipt of such service under the compulsory copyright license criteria set forth in 17 U.S.C. Section 119 and the Communications Act requirements set forth in 47 U.S.C. Section 339. DIRECTV does not use a list of zip codes to qualify customers for distant network signals. DIRECTV uses, through the services of an independent third party (Decisionmark, Inc.), the "Individual Location Longley Rice (ILLR)" model set forth by the Federal Communications Commission in Docket 98-201, as amended by the Commission over time under section 339(c)(3) of the Communications Act of 1934 to increase the accuracy of the model.

**Response to Interrogatory III.2.f:**

Schedules III.2.a through III.2.c each contain separate monthly reports for DIRECTV and NRTC customers. Accordingly, the information requested by this interrogatory – whether customers are served by NRTC or DIRECTV in a given month – is reflected in those Schedules.

3. **Provide the following details on all contracts for video programming that make Hughes the exclusive satellite or MVPD provider of that programming:**
  - a. **name of programming,**
  - b. **name of programming owner,**
  - c. **programming packages in which programming is sold and whether the programming is available on an a la carte basis,**
  - d. **date contract began,**
  - e. **date contract terminates,**
  - f. **date at which exclusivity expires.**

**Response to Interrogatory III.3:**

The only programming agreement under which DIRECTV is the exclusive satellite or MVPD provider is an agreement with NFL Enterprises L.P. for certain NFL programming. With regard to this agreement, the requested information is as follows:

- a. **NFL Sunday Ticket**
- b. **NFL Enterprises L.P.**

c. The programming is offered on an a la carte basis under the name “NFL Sunday Ticket.” It must be purchased separately and is not part of another programming package.

d. DIRECTV and NFL Enterprises L.P. entered into a letter of intent dated December 6, 2002. The parties are currently operating under this letter of intent.

e. [REDACTED]

f. [REDACTED]

4. Describe any ownership interest Hughes currently has in Liberty Media and any agreement Hughes has to acquire an interest in Liberty Media.

**Response to Interrogatory III.4:**

Hughes currently has no ownership interest in Liberty Media, and Hughes is not a party to any agreement to acquire an interest in Liberty Media.

5. Produce all documents describing the profit margins, average total costs, variable costs, and prices of video programming and MVPD services used in section III.A.2 of the Charles River Analysis.

**Response to Interrogatory III.5:**

Attached at Exhibit B are the materials DIRECTV provided to Charles River Associates, Inc. ("CRA") that contain the responsive information used in section III.A.2 of the Charles River Analysis. To the extent that News Corp. provided additional materials used by CRA, Hughes directs the Commission to News Corp.'s response to Interrogatory II.8 of the Commission's Initial Information and Document Request dated July 8, 2003. Exhibit B is provided electronically.

6. **Describe the considerations that go into deciding whether to carry a new programming channel, the placement of new channels within programming packages, and changes to pricing plans following the introduction of new channels.**

**Response to Interrogatory III.6:**

[REDACTED]

7. **Provide all plans, analyses, assessments or considerations of plans to modify, terminate or enter into new exclusive or non-exclusive programming distribution arrangements.**

**Response to Interrogatory III.7:**

Applicants are responding to this document request separately from this response.

8. **Provide all marketing surveys and studies conducted by or contracted for by Hughes, including:**

- a. Analyses, assessments, or considerations of marketing strategies, including pricing, promotions, programming, advertising, and customer targeting strategies (including targeting of the customers of a competing DBS supplier, customers of cable operators, customers of other MVPDs, and customers who have never subscribed to either DBS or cable services).
- b. All analyses, assessments, or considerations of the most desirable customers, and sales and marketing strategies to acquire and retain them.
- c. Assessments of the extent to which consumers explore both the available cable and DBS options when choosing an MVPD service.
- d. Analyses, assessments, or considerations of competitors, including an assessment of their strengths and weaknesses.

**Response to Interrogatory III.8:**

Applicants are responding to this document request separately from this response.

9. Provide any studies, analyses, assessments, or considerations that analyze any plans for additional capacity or capacity expansion with regard to DBS, broadband, or other services.

**Response to Interrogatory III.9:**

Applicants are responding to this document request separately from this response.

10. Provide all econometric analyses conducted by or contracted for by Hughes, including, but no limited to:
  - a. Estimates of the demand function for MVPD services.
  - b. Estimates of the own price elasticity of demand for DirecTV's DBS service.
  - c. Estimates of the cross-price elasticity of demand between DirecTV's DBS service and competing MVPD providers.

**Response to Interrogatory III.10:**

Applicants are responding to this document request separately from this response.

- 11. Provide a detailed description and explanation of Hughes' plans, prior to the announcement of the proposed transaction, for introducing additional local-into-local, HDTV, and broadband services of the next three years:**
  - a. Provide all plans, studies, analyses, and other documents relating to these plans.**
  - b. To the extent that analyses and/or studies have been prepared, provide the data used in the analysis or study and an explanation of the methodology used to derive the estimated benefit.**

**Response to Interrogatory III.11:**

**Local into Local and HDTV Plans:**

DIRECTV recognizes that it is critical to keep expanding its programming offerings, and to keep providing new and innovative services to consumers. As of June 30, 2003, DIRECTV provides local into local service in 61 DMAs. With the planned successful launch of the DIRECTV 7S spot beam satellite in the fourth quarter of this year or the first quarter of next year, and using advanced digital compression technology, DIRECTV plans to provide local broadcast channel service in approximately 100 markets by the end of 2003. While DIRECTV would like to expand its local service beyond approximately 100 markets, current capital and capacity constraints severely limit its ability to provide greater coverage.

DIRECTV always has been a leader in providing HDTV programming to consumers. On July 1, 2003, DIRECTV introduced a new high-definition television programming package that contains four high-definition programming channels, including ESPN HD and Discovery HD Theater, as well as special events broadcast in high-definition.

DIRECTV continues to explore the addition of national and local high-definition programming but, once again, the addition of such programming is severely limited by capital and capacity constraints.

At a time when DIRECTV requires additional capital to continue to innovate and compete, DIRECTV's ultimate parent company, General Motors Corporation ("GM"), is focused on improving its core automotive operations and addressing the need to provide funding for its U.S. pension plans. While DIRECTV has sufficient funding for its current business plans, if it were to choose to pursue new local programming or HDTV initiatives, DIRECTV would need additional funding. It is unlikely that GM would provide such funding. Seeking additional funding in the form of debt also would be difficult because an increase in DIRECTV's debt load would cause downward pressure on GM's credit rating.

As requested by the FCC, the above responsive provides a description of Hughes' HDTV and local into local plans prior to announcement of the proposed transaction. As discussed in News Corp.'s response to FCC request II.16, having News Corp. as a significant investor should enable DIRECTV to reach well beyond its current local into local plans and to offer more HDTV programming as well.

Broadband Plans:

Hughes Network Systems ("HNS") is currently authorized by the FCC to operate SPACEWAY spacecraft at three geostationary orbital locations capable of serving North America, and at other orbital locations that are not suitable for U.S. service. HNS plans to launch the first SPACEWAY spacecraft in the first quarter of 2004, and to commence commercial service over that spacecraft approximately six months after launch. The two other

SPACEWAY spacecraft are expected to be launched in intervals of approximately six months after the successful launch of the first spacecraft.

HNS intends to target SPACEWAY services to enterprise users, and expects to transition many of its current enterprise VSAT customers to the SPACEWAY platform. Due to the large investment that would be needed to market SPACEWAY services to consumers, HNS does not currently plan to do so. After the successful launch of SPACEWAY and the commencement of full-scale operations to enterprise customers over the system, HNS may reevaluate the feasibility of marketing SPACEWAY services to consumers. Any possible future reevaluation of a consumer broadband offering over SPACEWAY would be subject to (among other factors): (i) a demonstration that a satellite-based consumer broadband service using the SPACEWAY system is feasible as a business matter; and (ii) additional funding to support such a satellite-based consumer broadband service, including the substantial subscriber acquisition costs that would be incurred.

[REDACTED]

HNS is currently providing satellite-based Internet access and other broadband services over Ku band spacecraft under the DIRECWAY brand, to approximately 160,000 consumers. In order to reduce the effects of subscriber churn, and in an effort to attain a level of subscribership to two-way Internet access service that will allow that business to break even financially, HNS plans to invest toward the continued provision of DIRECWAY Internet access service to consumers to reach a break-even point at approximately 200,000 subscribers. Subsequently, HNS will continue to service this segment to the extent possible without increasing its investment.



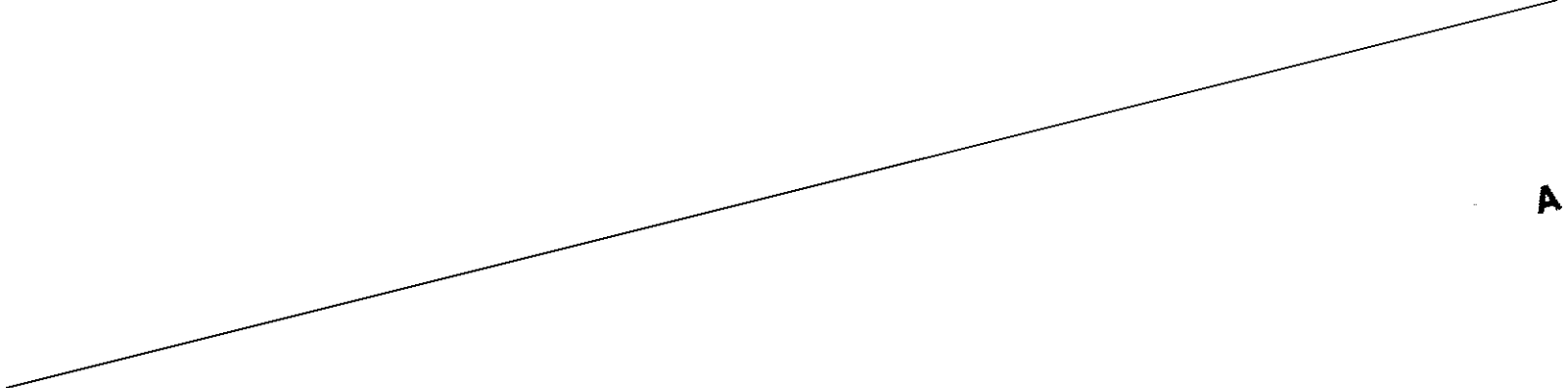
On December 13, 2002, Hughes announced that it would terminate the DSL Internet access service previously provided by its DIRECTV Broadband, Inc. subsidiary. Hughes had determined that (i) the landscape of the terrestrial broadband industry had changed dramatically since Hughes agreed to purchase that business in December 2000, and, (ii) despite continued subscriber growth, DIRECTV Broadband, Inc. could not operate profitably now or in the foreseeable future.

DIRECTV Broadband, Inc. ceased providing DSL service in February 2003, after having transitioned substantially all of its DSL subscribers to other broadband service providers (primarily ILECs). Including the costs of acquiring, operating and closing DIRECTV Broadband, Hughes invested approximately \$500 million in its DSL Internet access service.

DIRECTV does not currently actively market DSL service with any local telephone company or other DSL service provider. In the past, DIRECTV had agreements with a number of telephone companies that allowed them to sell DIRECTV with DSL service and that contemplated possible future arrangements for sales of bundled offerings of DIRECTV services with DSL services. DIRECTV is engaged in discussions with several DSL service providers with regard to bundled offerings of video (by DIRECTV) and DSL (by such other providers). DIRECTV cannot predict at this time the outcome of such discussions or the timing of any arrangements that might result from such discussions.

Document Request:

Applicants are responding to the document request contained in Interrogatory III.11.a and III.11.b. separately from this response.



**A**

**Exhibit A**  
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<sup>1</sup> All the schedules listed below have also been provided on CD-Rom.

		Only
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III.2.d	Zip Codes by DMAs	CD-Rom Only
III.2.d(ii)	Zip codes by DMA where Local Service Can Be Provided	CD-Rom Only



Schedule III.1.a

<u>Nielsen</u>	<u>Rank</u>	<u>DMA</u>	<u>TV HHs</u>
2003			
1		New York	
2		Los Angeles	
3		Chicago	
4		Philadelphia	
5		San Francisco	
6		Boston	
7		Dallas	
8		Washington DC	
9		Atlanta	
10		Detroit	
11		Houston	
12		Seattle	
13		Tampa	
14		Minneapolis	
15		Cleveland	
16		Phoenix	
17		Miami	
18		Denver	
19		Sacramento	
20		Orlando	
21		Pittsburgh	
22		St Louis	
23		Portland OR	
24		Baltimore	
25		Indianapolis	
26		San Diego	
27		Hartford	
28		Charlotte	
29		Raleigh-Durham	
30		Nashville	
31		Milwaukee	
32		Cincinnati	
33		Kansas City	
34		Columbus	
35		Greenville- Spartanburg	
36		Salt Lake City	
37		San Antonio	
38		Grand Rapids-Kalzo	
39		W Palm Beach - D4S	

Schedule III.1.a

## Schedule III.1.a



Schedule III.1.a

Schedule III.1.a

Schedule III.1.a

<u>Nielsen</u> <u>Rank 2002</u>	<u>DMA</u>	<u>TV HHs</u>
1	New York	
2	Los Angeles	
3	Chicago	
4	Philadelphia	
5	San Francisco	
6	Boston	
7	Dallas	
8	Washington DC	
9	Atlanta	
10	Detroit	
11	Houston	
12	Seattle	
13	Minneapolis	
14	Tampa	
15	Miami	
16	Phoenix	
17	Cleveland	
18	Denver	
19	Sacramento	
20	Orlando	
21	Pittsburgh	
22	St Louis	
23	Portland OR	
24	Baltimore	
25	Indianapolis	
26	San Diego	
27	Charlotte	
28	Hartford	
29	Raleigh-Durham	
30	Nashville	
31	Kansas City	
32	Cincinnati	
33	Milwaukee	
34	Columbus	
35	Salt Lake City	
36	Greenville- Spartanburg	
37	San Antonio	
38	Grand Rapids-Kalzo	
39	Birmingham	
40	W Palm Beach - D4S	
41	Memphis	
42	Norfolk	
43	New Orleans	
44	Greensboro-Hi Pt	
45	Oklahoma City	
46	Harrisburg	
47	Buffalo	
48	Albuquerque	
49	Providence	
50	Louisville	

Schedule III.1.a

51	Las Vegas
52	Wilkes-Barre
53	Jacksonville
54	Austin
55	Fresno
56	Little Rock
57	Albany
58	Richmond
59	Tulsa
60	Dayton
61	Charleston-Huntington
62	Knoxville
63	Mobile
64	Flint-Saginaw
65	Wichita
66	Lexington
67	Roanoke
68	Toledo
69	Green Bay
70	Des Moines
71	Rochester
72	Honolulu
73	Tucson
74	Springfield MO
75	Omaha
76	Ft Myers
77	Paducah
78	Spokane
79	Shreveport
80	Portland-Auburn
81	Syracuse
82	Champaign
83	Huntsville
84	Columbia SC
85	Madison WI
86	Chattanooga
87	South Bend
88	Jackson MS
89	Cedar Rapids
90	Burlington VT
91	Colorado Sprgs
92	Davenport IA
93	Tri-Cities TN VA
94	Waco
95	Baton Rouge
96	Johnstown-Altoona
97	Evansville IN
98	Youngstown OH
99	Savannah
100	Harlingen TX
101	El Paso
102	Lincoln-hastings NE

Schedule III.1.a

103 Tyler-Longview  
104 Ft Wayne IN  
105 Springfield MA  
106 Greenville New Bern NC  
107 Ft Smith -Fayetteville  
108 Charleston SC  
109 Florence-Myrtle Bch SC  
110 Reno  
111 Lansing MI  
112 Sioux Falls  
113 Tallahassee  
114 Montgomery AL  
115 Augusta GA  
116 Peoria  
117 Traverse City MI  
118 Monterey-Salinas  
119 Fargo ND  
120 Sta Barbara  
121 Boise ID  
122 Macon GA  
123 Eugene OR  
124 Lafayette LA  
125 Yakima  
126 Columbus GA  
127 La Crosse-Eau Claire WI  
128 Amarillo  
129 Corpus Christi  
130 Bakersfield  
131 Columbus-Tupelo MS  
132 Rockford IL  
133 Chico-Redding  
134 Monroe LA  
135 Duluth MN  
136 Beaumont TX  
137 Wausau WI  
138 Topeka KS  
139 Columbia MO  
140 Medford OR  
141 Wichita Falls TX  
142 Joplin MO  
143 Erie PA  
144 Sioux City IA  
145 Terra Haute  
146 Wilmington NC  
147 Albany GA  
148 Lubbock TX  
149 Bluefield WV  
150 Wheeling WV  
151 Rochester MN  
152 Minot-Bismarck ND  
153 Salisbury MD  
154 Odessa TX

Schedule III.1.a

155 Anchorage  
156 Binghamton NY  
157 Biloxi MS  
158 Bangor ME  
159 Panama City FL  
160 Sherman TX  
161 Palm Springs  
162 Abilene  
163 Quincy IL  
164 Gainesville FL  
165 Clarksburg WV  
166 Idaho Falls  
167 Hattiesburg MS  
168 Utica NY  
169 Missoula MT  
170 Billing MT  
171 Yuma AZ  
172 Dothan AL  
173 Elmira NY  
174 Lake Charles LA  
175 Rapid City SD  
176 Watertown NY  
177 Marquette  
178 Harrisonburg VA  
179 Alexandria LA  
180 Jonesboro AR  
181 Bowling Green KY  
182 Greenwood MS  
183 Jackson TN  
184 Grand Junction Co  
185 meridian MS  
186 Parkersburg WV  
187 Great Falls MT  
188 Twin Falls ID  
189 St Joseph MO  
190 Lafayette IN  
191 Lima OH  
192 Charlottesville VA  
193 Butte-Bozeman MT  
194 Laredo TX  
195 Eureka CA  
196 Mankata MN  
197 Cheyenne WY  
198 Ottumwa IA  
199 San Angelo TX  
200 Casper WY  
201 Bend OR  
202 Zanesville OH  
203 Fairbanks AK  
204 Victoria TX  
205 Presque Isle ME  
206 Juneau

Schedule III.1.a

207 Helena MT  
208 Alpena MI  
209 North Platte NE  
210 Glendive MT

Schedule III.1.a

<u>Nielsen</u> <u>Rank 2001</u>	<u>DMA</u>	<u>TV HHs</u>
1	New York	
2	Los Angeles	
3	Chicago	
4	Philadelphia	
5	San Francisco	
6	Boston	
7	Dallas	
8	Washington DC	
9	Detroit	
10	Atlanta	
11	Houston	
12	Seattle	
13	Minneapolis	
14	Tampa	
15	Cleveland	
16	Miami	
17	Phoenix	
18	Denver	
19	Sacramento	
20	Pittsburgh	
21	Orlando	
22	St Louis	
23	Portland OR	
24	Baltimore	
25	San Diego	
26	Indianapolis	
27	Hartford	
28	Charlotte	
29	Raleigh-Durham	
30	Kansas City	
31	Nashville	
32	Cincinnati	
33	Milwaukee	
34	Columbus OH	
35	Greenville-Spartanburg	
36	Salt Lake City	
37	San Antonio	
38	Grand Rapids-Kalzo	
39	Birmingham	
40	Memphis	
41	Norfolk	
42	New Orleans	
43	W Palm Beach - D4S	
44	Buffalo	



Schedule III.1.a

45	Oklahoma City
46	Harrisburg
47	Greensboro
48	Louisville
49	Providence
50	Albuquerque
51	Las Vegas
52	Wilkes-Barre
53	Jacksonville
54	Fresno
55	Dayton
56	Albany
57	Little Rock
58	Austin
59	Tulsa
60	Richmond
61	Charleston-Huntington
62	Mobile
63	Knoxville
64	Flint-Saginaw
65	Wichita
66	Lexington
67	Toledo
68	Roanoke
69	Green Bay
70	Des Moines
71	Tucson
72	Honolulu
73	Paducah
74	Rochester
75	Omaha
76	Shreveport
77	Spokane
78	Springfield MO
79	Portland-Auburn
80	Syracuse
81	Ft Myers
82	Huntsville
83	Champaign
84	Madison WI
85	Columbia SC
86	Chattanooga
87	South Bend
88	Jackson MS
89	Cedar Rapids
90	Davenport